

**LITTLE TRAVERSE TOWNSHIP  
EMMET COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**MARCH 31, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

# LITTLE TRAVERSE TOWNSHIP

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## INDEPENDENT AUDITORS' REPORT

November 25, 2008

Members of the Township Board  
Little Traverse Township  
Harbor Springs, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, and the remaining fund information of the ***Little Traverse Township***, (the "Township") as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Township, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# LITTLE TRAVERSE TOWNSHIP

## STATEMENT OF NET ASSETS

MARCH 31, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 382,814	\$ 128,920	\$ 511,734
Accounts receivable	-	197,727	197,727
Tax receivables	48,322	-	48,322
Capital assets not being depreciated	321,660	-	321,660
Capital assets, being depreciated, net	568,806	1,112,209	1,681,015
<b>Total assets</b>	<b>1,321,602</b>	<b>1,438,856</b>	<b>2,760,458</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	8,272	28,169	36,441
Noncurrent liabilities			
Due within one year	18,000	24,558	42,558
Due in more than one year	54,000	51,985	105,985
<b>Total liabilities</b>	<b>80,272</b>	<b>104,712</b>	<b>184,984</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	818,466	1,035,666	1,854,132
Unrestricted	422,864	298,478	721,342
<b>Total net assets</b>	<b>\$ 1,241,330</b>	<b>\$ 1,334,144</b>	<b>\$ 2,575,474</b>

The accompanying notes are an integral part of these financial statements.

# LITTLE TRAVERSE TOWNSHIP

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2008

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Operating Grants and Contributions</u>	
<b>Primary government</b>					
Governmental activities					
General government	\$ 207,728	\$ 7,236	\$ -	\$ -	\$ (200,492)
Public safety	186,515	550	-	-	(185,965)
Public works	232,423	-	-	-	(232,423)
Recreation and culture	17,263	-	-	-	(17,263)
Interest on long-term debt	4,557	-	-	-	(4,557)
Total governmental activities	648,486	7,786	-	-	(640,700)
Business-type activities					
Sewage disposal	410,053	416,362	-	-	6,309
Water	155,847	105,151	-	-	(50,696)
Total business-type activities	565,900	521,513	-	-	(44,387)
<b>Total primary government</b>	<b>\$ 1,214,386</b>	<b>\$ 529,299</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (685,087)</b>

Continued...

The accompanying notes are an integral part of these financial statements.



# LITTLE TRAVERSE TOWNSHIP

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Changes in net assets</b>			
Net expense	\$ (640,700)	\$ (44,387)	\$ (685,087)
General revenues			
Taxes	492,442	-	492,442
State revenue	172,348	-	172,348
Interest and rent	14,523	13,395	27,918
Miscellaneous	3,405	-	3,405
Total general revenues	682,718	13,395	696,113
<b>Changes in net assets</b>	<b>42,018</b>	<b>(30,992)</b>	<b>11,026</b>
Net assets, beginning of year	1,199,312	1,365,136	2,564,448
<b>Net assets, end of year</b>	<b>\$ 1,241,330</b>	<b>\$ 1,334,144</b>	<b>\$ 2,575,474</b>

Concluded

The accompanying notes are an integral part of these financial statements.

## **FUND FINANCIAL STATEMENTS**

**LITTLE TRAVERSE TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND - GENERAL FUND**

**MARCH 31, 2008**

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<b>ASSETS</b>	
Cash and cash equivalents	\$ 382,814
Taxes receivable	<u>48,322</u>
<b>Total assets</b>	<b><u>\$ 431,136</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities</b>	
Accounts payable	\$ 6,680
Accrued expenses	<u>1,592</u>
<b>Total liabilities</b>	<b>8,272</b>
<b>Fund balances</b>	
Unreserved	
Undesignated	<u>422,864</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 431,136</u></b>

The accompanying notes are an integral part of these financial statements.

**LITTLE TRAVERSE TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND - GENERAL FUND**

**MARCH 31, 2008**

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**Reconciliation of fund balances on the balance sheet for governmental funds to net assets of governmental activities on the statement of net assets**

Fund balances - total governmental funds	\$ 422,864
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Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.

Add - capital assets	1,307,559
Deduct - accumulated depreciation	(417,093)

Long term liabilities are not due and payable in the current period and therefore are not reported in the funds

Deduct - long term debt	<u>(72,000)</u>
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<b>Net assets of governmental activities</b>	<b><u>\$ 1,241,330</u></b>
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Concluded

The accompanying notes are an integral part of these financial statements.

**LITTLE TRAVERSE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUND**  
**GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2008**

<b>Revenues</b>	
Taxes	\$ 492,442
State revenue	172,348
Charges for services	7,786
Interest and rent	14,523
Other revenue	3,405
	<hr/>
<b>Total revenues</b>	<b>690,504</b>
	<hr/>
<b>Expenditures</b>	
Current	
General government	192,020
Public safety	186,515
Public works	232,423
Recreation and culture	17,263
Debt service	
Principal	18,000
Interest	4,557
	<hr/>
<b>Total expenditures</b>	<b>650,778</b>
	<hr/>
<b>Net change in fund balances</b>	<b>39,726</b>
	<hr/>
Fund balance, beginning of year	383,138
	<hr/>
<b>Fund balances, end of year</b>	<b>\$ 422,864</b>
	<hr/>

Continued...

The accompanying notes are an integral part of these financial statements.

**LITTLE TRAVERSE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUND**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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**Reconciliation of statement of revenues, expenditures and changes in fund balances of  
governmental funds to statement of activities**

Net change in fund balances - total governmental funds	\$ 39,726
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Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	15,133
Deduct - depreciation expense	(30,841)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	<u>18,000</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 42,018</u></b>
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Concluded

The accompanying notes are an integral part of these financial statements.

**LITTLE TRAVERSE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues</b>				
Taxes	472,000	472,000	492,442	20,442
State revenue	171,700	171,300	172,348	1,048
Charges for services	7,500	7,700	7,786	86
Interest and rent	7,800	13,383	14,523	1,140
Other revenues	1,000	3,000	3,405	405
<b>Total revenues</b>	<b>660,000</b>	<b>667,383</b>	<b>690,504</b>	<b>23,121</b>

Continued...

The accompanying notes are an integral part of these financial statements.

# LITTLE TRAVERSE TOWNSHIP

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2008

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>General government</b>				
Legislative	2,400	2,500	2,344	(156)
Trustees	11,500	11,000	13,264	2,264
Supervisor	12,000	12,000	11,824	(176)
Elections	1,000	2,500	2,197	(303)
Assessing	32,000	32,000	28,917	(3,083)
Legal services	13,000	9,000	5,335	(3,665)
Clerk	9,000	8,500	8,105	(395)
Board of review	2,500	2,500	3,014	514
Treasurer	19,500	17,000	17,611	611
Office manager/bookkeeper	32,000	32,000	31,767	(233)
Building and equipment	48,000	42,000	56,395	14,395
Insurance	12,000	12,000	11,247	(753)
<b>Total general government</b>	<b>194,900</b>	<b>183,000</b>	<b>192,020</b>	<b>9,020</b>
<b>Public safety</b>				
Police	1,000	-	-	-
Fire protection	192,000	152,000	155,991	3,991
Planning and zoning	31,000	31,000	30,524	(476)
<b>Total public safety</b>	<b>224,000</b>	<b>183,000</b>	<b>186,515</b>	<b>3,515</b>
<b>Public works</b>				
Roads	248,800	206,000	195,336	(10,664)
Cemetery	7,500	4,500	4,432	(68)
Recycle program	29,000	29,000	25,551	(3,449)
Airport authority	7,200	7,200	7,104	(96)
<b>Total public works</b>	<b>292,500</b>	<b>246,700</b>	<b>232,423</b>	<b>(14,277)</b>
<b>Recreation and culture</b>				
<b>Parks and recreation</b>	<b>28,000</b>	<b>29,000</b>	<b>17,263</b>	<b>(11,737)</b>
<b>Debt Service</b>				
Principal	21,000	21,000	18,000	(3,000)
Interest	-	-	4,557	4,557
<b>Total debt service</b>	<b>21,000</b>	<b>21,000</b>	<b>22,557</b>	<b>1,557</b>
<b>Total expenditures</b>	<b>760,400</b>	<b>662,700</b>	<b>650,778</b>	<b>(11,922)</b>
<b>Revenues (under) over expenditures</b>	<b>(100,400)</b>	<b>4,683</b>	<b>39,726</b>	<b>35,043</b>
<b>Other financing uses</b>				
Transfers out	(10,000)	-	-	-
<b>Net change in fund balance</b>	<b>(110,400)</b>	<b>4,683</b>	<b>39,726</b>	<b>35,043</b>
Fund balance, beginning of year	383,138	383,138	383,138	-
<b>Fund balance, end of year</b>	<b>\$ 272,738</b>	<b>\$ 387,821</b>	<b>\$ 422,864</b>	<b>\$ 35,043</b>

Concluded

The accompanying notes are an integral part of these financial statements.



# LITTLE TRAVERSE TOWNSHIP

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

MARCH 31, 2008

	Sewage Disposal Utility	Water Utility	Total
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 22,404	\$ 106,516	\$ 128,920
Accounts receivable	129,841	27,886	157,727
Special assessment receivable	-	6,400	6,400
<b>Total current assets</b>	<b>152,245</b>	<b>140,802</b>	<b>293,047</b>
<b>Noncurrent assets</b>			
Capital assets, net of accumulated depreciation	-	1,112,209	1,112,209
Special assessment receivable, net of current portion	-	33,600	33,600
<b>Total noncurrent assets</b>	<b>-</b>	<b>1,145,809</b>	<b>1,145,809</b>
<b>Total assets</b>	<b>152,245</b>	<b>1,286,611</b>	<b>1,438,856</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	21,426	3,917	25,343
Accrued expenses	86	2,740	2,826
Loans payable	-	24,558	24,558
<b>Total current liabilities</b>	<b>21,512</b>	<b>31,215</b>	<b>52,727</b>
<b>Noncurrent liabilities</b>			
Loans payable	-	51,985	51,985
<b>Total liabilities</b>	<b>21,512</b>	<b>83,200</b>	<b>104,712</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	-	1,035,666	1,035,666
Unrestricted	130,733	167,745	298,478
<b>Total net assets</b>	<b>\$ 130,733</b>	<b>\$ 1,203,411</b>	<b>\$ 1,334,144</b>

The accompanying notes are an integral part of these financial statements.

**LITTLE TRAVERSE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS - PROPRIETARY FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2008**

	Sewage Disposal Utility	Water Utility	Total
<b>Operating revenues</b>			
Charges for services	<u>\$ 416,362</u>	<u>\$ 101,151</u>	<u>\$ 517,513</u>
<b>Operating expenses</b>			
Personal services	2,277	2,454	4,731
Contractual services	401,173	72,092	473,265
Depreciation and amortization	-	71,776	71,776
Miscellaneous	<u>6,603</u>	<u>5,308</u>	<u>11,911</u>
<b>Total operating expenses</b>	<u>410,053</u>	<u>151,630</u>	<u>561,683</u>
<b>Operating income (loss)</b>	<u>6,309</u>	<u>(50,479)</u>	<u>(44,170)</u>
<b>Nonoperating revenues (expenses)</b>			
Interest revenue	2,097	11,298	13,395
Hook-up fees	-	4,000	4,000
Interest expense	<u>-</u>	<u>(4,217)</u>	<u>(4,217)</u>
<b>Total nonoperating revenues</b>	<u>2,097</u>	<u>11,081</u>	<u>13,178</u>
<b>Change in net assets</b>	<u>8,406</u>	<u>(39,398)</u>	<u>(30,992)</u>
Net assets, beginning of year	<u>122,327</u>	<u>1,242,809</u>	<u>1,365,136</u>
<b>Net assets, end of year</b>	<u><u>\$ 130,733</u></u>	<u><u>\$ 1,203,411</u></u>	<u><u>\$ 1,334,144</u></u>

The accompanying notes are an integral part of these financial statements.

# LITTLE TRAVERSE TOWNSHIP

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED MARCH 31, 2008

	Sewage Disposal Utility	Water Utility	Total
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 405,660	\$ 100,522	\$ 506,182
Cash payments to employees	(2,258)	(2,454)	(4,712)
Cash payments to suppliers for goods and services	(406,286)	(79,016)	(485,302)
<b>Net cash (used in) provided by operating activities</b>	<b>(2,884)</b>	<b>19,052</b>	<b>16,168</b>
<b>Cash flows from capital and related financing activities</b>			
Collection of customer assessments (principal and interest)	-	27,666	27,666
Proceeds from tap and connection fees	-	4,000	4,000
Principal paid on bonds and loans	-	(53,724)	(53,724)
Interest paid on bonds and loans	-	(5,703)	(5,703)
<b>Net cash used in capital and related financing activities</b>	<b>-</b>	<b>(27,761)</b>	<b>(27,761)</b>
<b>Cash flows from investing activities</b>			
Investment income	<b>2,097</b>	<b>11,298</b>	<b>13,395</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(787)</b>	<b>2,589</b>	<b>1,802</b>
Cash and cash equivalents, beginning of year	23,191	103,927	127,118
<b>Cash and cash equivalents, end of year</b>	<b>\$ 22,404</b>	<b>\$ 106,516</b>	<b>\$ 128,920</b>

Continued ...

The accompanying notes are an integral part of these financial statements.

# **LITTLE TRAVERSE TOWNSHIP**

## **STATEMENT OF CASH FLOWS PROPRIETARY FUNDS**

**FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Sewage Disposal Utility</b>	<b>Water Utility</b>	<b>Total</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
<b>Cash flows from operating activities</b>			
Operating income (loss)	\$ 6,309	\$ (50,479)	\$ (44,170)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities			
Depreciation and amortization	-	71,776	71,776
Changes in assets and liabilities			
Accounts receivable	(10,702)	(629)	(11,331)
Accounts payable	1,490	(1,836)	(346)
Accrued expenses	19	220	239
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (2,884)</b>	<b>\$ 19,052</b>	<b>\$ 16,168</b>
			Concluded

The accompanying notes are an integral part of these financial statements.

**LITTLE TRAVERSE TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUND**  
**TAX COLLECTION FUND**  
**MARCH 31, 2008**

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<b>Assets</b>	
Cash and cash equivalents	<u><u>\$          734</u></u>
<b>Liabilities</b>	
Due to other governmental units	<u><u>\$          734</u></u>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

# LITTLE TRAVERSE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

*Little Traverse Township* (the “Township”) has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the Township.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from the accompanying financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*Fund Financial Statements.* The fund financial statements provide information about the Township’s funds, including its fiduciary fund. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The *General Fund*, the major governmental fund, is the Township’s primary operating fund. It accounts for all financial resources of the general government.

The Township reports the following major proprietary funds:

The *Water Utility Fund* is an Enterprise Fund. The fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water service to the general public are recovered through user charges.

# LITTLE TRAVERSE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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The *Sewage Disposal Fund* is an Enterprise Fund. The fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses) of providing sewer service to the general public are recovered through user charges.

Additionally, the Township reports the following fiduciary fund.

The fiduciary fund is used to account for assets held by the Township in a trust or agent capacity. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, this fund is not incorporated into the government-wide statements.

The *Agency Fund* accounts for the collection and payment of property tax levies.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation.**

*Government-wide, Proprietary and Fiduciary Fund Financial Statements.* The government-wide, proprietary and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the Township gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

*Governmental Fund Financial Statements.* Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when both measurable and available. The Township considers all revenues reported in the governmental funds to be available if they are collected within sixty (60) days of the end of the current fiscal period. Property taxes, state shared revenue and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township.



# LITTLE TRAVERSE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the Township follow private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, Liabilities and Net Assets or Equity**

#### ***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorizes the Township to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

# LITTLE TRAVERSE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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### 2. *Receivables*

All receivables are reported at their gross value.

### 3. *Property Taxes*

The Township's property taxes are levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through February 14; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Emmet County. Assessed values, as established annually by the Township and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value.

Property taxes are recognized in the fiscal year in which they are levied.

### 4. *Capital Assets*

Capital assets, which include property, buildings and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for land, are recorded by the Township when the initial individual costs are equal to or greater than \$1,000. Land is recorded when the initial cost equals or exceeds \$1.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u><b>Years</b></u>
Land improvements	20
Buildings and building improvements	40
Water system	30
Leasehold improvements	20
Vehicles	5-7
Equipment	5
Computer equipment	3

# **LITTLE TRAVERSE TOWNSHIP**

## **NOTES TO FINANCIAL STATEMENTS**

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### ***5. Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

### ***6. Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **1) Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. Budgetary control is legally maintained at the fund level. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year, and lapse at year-end.

### **2) Excess of Expenditures Over Appropriations**

Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

# LITTLE TRAVERSE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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### 3. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

Cash and cash equivalents as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets are as follows:

**Statement of Net Assets**

Cash and cash equivalents	\$ 511,734
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**Statement of Fiduciary Net Assets**

Cash and cash equivalents	<u>734</u>
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<b>Total</b>	<b><u>\$ 512,468</u></b>
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**Investment and deposit risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township has no investments for which ratings are required.

*Custodial credit risk deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$420,500 of the Township's bank balance of \$553,124 was exposed to custodial credit risk because it was uninsured and uncollateralized.

# LITTLE TRAVERSE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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The Township is authorized by statute to invest surplus funds in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts or a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940, limited to mutual fund securities whose intention is to maintain a net asset value of \$1.00 per share.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Township Board is authorized to designate depositories for Township funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Township's deposits are in accordance with statutory authority.

### B. Receivables

The composition of receivables is as follows as of March 31, 2008:

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>
Accounts receivable	\$ -	\$ 157,727
Special assessment receivable, due in one year	-	6,400
Special assessment receivable, due in more than one year	-	33,600
Taxes receivable	<u>48,332</u>	<u>-</u>
<b>Total receivables, net</b>	<b><u>\$ 48,332</u></b>	<b><u>\$ 197,727</u></b>

# LITTLE TRAVERSE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

### C. Capital assets

Capital assets activity was as follows for the year ended March 31, 2008:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated – land	\$ 321,660	\$ -	\$ -	\$ 321,660
<b>Capital assets being depreciated</b>				
Land improvements	308,914	2,240	-	311,154
Buildings and improvements	553,498	9,936	-	563,434
Equipment	86,631	2,957	-	89,588
Computer equipment	<u>21,723</u>	<u>-</u>	<u>-</u>	<u>21,723</u>
Total capital assets being depreciated	<u>970,766</u>	<u>15,133</u>	<u>-</u>	<u>985,899</u>
Less accumulated depreciation on				
Land improvements	(137,894)	(11,691)	-	(149,585)
Buildings and improvements	(149,886)	(14,300)	-	(164,186)
Equipment	(77,315)	(4,327)	-	(81,642)
Computer equipment	<u>(21,157)</u>	<u>(523)</u>	<u>-</u>	<u>(21,680)</u>
Total accumulated depreciation	<u>(386,252)</u>	<u>(30,841)</u>	<u>-</u>	<u>(417,093)</u>
Total capital assets being depreciated, net	<u>584,514</u>	<u>(15,708)</u>	<u>-</u>	<u>568,806</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$ 906,174</b></u>	<u><b>\$ (15,708)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 890,466</b></u>
<b>Business-type activities</b>				
Capital assets being depreciated				
Water system	\$ 2,051,158	\$ -	\$ -	\$ 2,051,158
Less accumulated depreciation for				
Water system	<u>(869,811)</u>	<u>(69,138)</u>	<u>-</u>	<u>(938,949)</u>
<b>Business-type activities capital assets, net</b>	<u><b>\$ 1,181,347</b></u>	<u><b>\$ (69,138)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 1,112,209</b></u>

# LITTLE TRAVERSE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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Depreciation expense was charged to functions/programs of the Township as follows:

**Governmental activities**

General government	<u>\$ 30,841</u>
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**Business-type activities**

Water	<u>\$ 69,138</u>
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**D. Accounts Payable and Accrued Expenses**

Payables are comprised of the following at March 31, 2008:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable	\$ 6,680	\$ 25,343
Accrued expenses	<u>1,592</u>	<u>2,826</u>
<b>Total accounts payables and accrued expenses</b>	<b><u>\$ 8,272</u></b>	<b><u>\$ 28,169</u></b>

# LITTLE TRAVERSE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

### E. Long-term Debt

Long-term debt of the Township consists of the following as of March 31, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within 1 Year</u>
<b>Governmental Fund</b>					
\$90,000, installment purchase contract for acquisition of real property due in annual principal installments of \$18,000 plus interest charged at 4.90%, through 2012.	\$ 90,000	\$ -	\$ (18,000)	\$ 72,000	\$ 18,000
<b>Proprietary Fund</b>					
\$170,000, 2003 special assessment capital lease agreement for acquisition of watermain due in annual installments of \$27,252; interest at 3.45%, through 2011.	100,267	-	(23,724)	76,543	24,558
1993 Watermain Special Assessment Districts No. 93-1W, 93-2W, and 93-3WS, repaid in 2008.	30,000	-	(30,000)	-	-
<b>Total long-term activities</b>	<b><u>\$ 220,267</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (71,724)</u></b>	<b><u>\$ 148,543</u></b>	<b><u>\$ 42,558</u></b>



# LITTLE TRAVERSE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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The annual requirements for long-term debt outstanding to maturity, including both principal and interest, are as follows:

	<b>Governmental activities</b>		<b>Business-type activities</b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2009	\$ 18,000	\$ 3,577	\$ 24,588	\$ 2,694
2010	18,000	2,683	25,421	1,831
2011	18,000	1,789	26,534	1,067
2012	<u>18,000</u>	<u>896</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 72,000</u></b>	<b><u>\$ 8,945</u></b>	<b><u>\$ 76,543</u></b>	<b><u>\$ 5,592</u></b>

Total interest expense for the Township for the year was \$8,774.

#### 4. OTHER INFORMATION

##### **Risk Management and Litigation**

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which it obtains coverage from commercial insurance companies.

The Township belongs to the Michigan Township Participating Plan, a public entity risk pool currently operating as a common risk management and worker's compensation insurance program for various municipalities throughout the state. The Township pays an annual premium for its worker's compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event.

#### 5. COMMITMENTS

Sewer Disposal Utility Fund – The Township is a participant in a joint sewage disposal system administered by the Harbor Springs Area Sewage Disposal Authority and is committed to share in a portion of all costs, including principal and interest on long-term debt. The Township's portion of long-term debt consists of the following bond issues.

The original 1988 Bonds were refunded in 2004. The faith and credit of the Township has been pledged to pay its 20.24% share of the \$304,000 refunding bonds issued by the Harbor Springs Area Sewage Disposal Authority through the year 2009.

# LITTLE TRAVERSE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

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The original 1989 Bonds were refunded in 2004. The faith and credit of the Township has been pledged to pay its 36.16% share of the \$370,000 refunding bonds issued by the Harbor Springs Area Sewage Disposal Authority through the year 2010.

In March 2002, the Township entered into a contract with the Harbor Springs Area Sewage Disposal Authority for the Township's share of the cost of a new wastewater treatment facility and the closure of the Authority's existing lagoon and spray irrigation system. The faith and credit of the Township has been pledged to pay its 27.06% share of the related \$5,664,770 of bonds issued by the Harbor Springs Area Sewage Disposal Authority through the year 2024.

The annual requirements to amortize the Township's portion of these debts outstanding as of March 31, 2008, including interest payments of \$275,875 are as follows:

<b><u>Year Ending</u></b> <b><u>March 31</u></b>	<b><u>Amount</u></b>
2009	\$ 143,846
2010	126,607
2011	96,856
2012	97,803
2013	97,347
2014-2018	486,481
2019-2023	484,198
2024	<u>98,571</u>
<b>Total</b>	<b><u>\$1,631,709</u></b>

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## **SUPPLEMENTARY INFORMATION**

**LITTLE TRAVERSE TOWNSHIP**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
TAX COLLECTION AGENCY FUND**

**FOR THE YEAR ENDED MARCH 31, 2008**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<b>Assets</b>				
<b>Cash</b>	<b>\$ 8,618</b>	<b>\$ 15,117,459</b>	<b>\$ (15,125,343)</b>	<b>\$ 734</b>
<b>Liabilities</b>				
Due to other funds	\$ 1,052	\$ 484,108	\$ (485,160)	\$ -
Due to other governmental units	7,566	14,633,351	(14,640,183)	734
<b>Total liabilities</b>	<b>\$ 8,618</b>	<b>\$ 15,117,459</b>	<b>\$ (15,125,343)</b>	<b>\$ 734</b>